



PEACE OFFICERS' RETIREMENT, ACCIDENT, AND DISABILITY SYSTEM (PORS) BOARD MEETING

Review. The actuarial firm for the POR System, Cavanaugh MacDonald, recently completed a review of economic assumptions for the Board. Through this process, the actuary's role is to make recommendations to the Board for each assumption. The Board can adopt all, none, or some of the actuary's recommendations. The POR Board will be reviewing the demographic assumptions at a future meeting.

Meeting. At the July 18, 2016, meeting, the Board voted to adopt the following economic assumptions:

- **Price Inflation** - The current assumption was 3.00% and the recommended and adopted assumption was reduced to 2.75%. Inflation represents the annual increase in the cost of living. This assumption indirectly impacts the valuation through its use in other assumptions, including investment return, individual salary increases, and payroll growth. This assumption was reduced from 3.50% to 3.00% in the last experience study in 2011.
- **Wage Inflation** - The current assumption was 3.75% and the recommended and adopted assumption was reduced to 3.50%. This assumption is used in developing the individual salary assumption used by the actuary during the valuation process.
- **Payroll Growth** - The current assumption was 3.75% and the recommended and adopted assumption was reduced to 3.00%. This assumption is used to calculate the unfunded actuarial liability (UAL) amortization payment.
- **Investment Return** - The current assumption was 8.00% and the recommended and adopted assumption was reduced to 7.50%. According to the actuary, the average rate of return for the POR System over the past 19 years was 7.50%.

Actuarial Report. The economic assumptions adopted at the meeting will be used in the 2016 actuarial valuation report. The actuary will also be completing a new five-year experience study for the period of July 1, 2011, through June 30, 2016.

More Information. Additional information is available from the Legislative Services Agency upon request.

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